



住宅金融支援機構
Japan Housing Finance Agency

Disclosure Booklet
2015

2015
Disclosure

Profile of Japan Housing Finance Agency (JHF)

Establishment: April 1, 2007

Mission: Japan Housing Finance Agency (JHF) strives to provide smooth and efficient provision of funds necessary for constructing houses and thus contribute to stable living and enhanced social welfare of the Japanese citizens by purchasing mortgages to assist lending of funds necessary for constructing houses provided by general financial institutions and lending funds required for constructing buildings for disaster recovery to supplement lending by general financial institutions.

Capital: 711.73529 billion yen (as of the end of the fiscal year 2014; 100% of the capital is provided by the Japanese government.)

Number of directors and employees: 920 (as of April 1, 2015)

Operations: Securitization support, housing loan insurance service, loan origination

Offices: Head office: 1-4-10 Koraku, Bunkyo-ku, Tokyo, Japan 112-8570

Branches: 11 branches in major cities nationwide (as of April 1, 2015)

Size of mortgage portfolio: 24.9585 trillion yen (as of March 31, 2015)

(Including: Purchased housing loans – 11.6394 trillion yen and originated loans – 13.2404 trillion yen)



1. This booklet is a disclosure material prepared based on the "Law Concerning Access to Information Held by Incorporated Administrative Agencies." (Law No. 140 of 2001).

2. Figures in this booklet

(1) Rounding of figures

Amounts are rounded to the nearest unit.

Percentages (%) are rounded off at the second decimal point in principle. Thus, a figure in the total section may not equal the sum of the itemized amounts.

(2) Indication method

Items with values less than the unit are indicated as "0" while items with no statistical figures are indicated as "-."

3. Information on Japan Housing Finance Agency (JHF), including that on this booklet, is available on the JHF website (<http://www.jhf.go.jp>).

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We appreciate your continued interest and kind consideration.

Four years have passed since the Great East Japan Earthquake. The Japan Housing Finance Agency (JHF) has made efforts to help restore the livelihoods of those affected by the earthquake from the financial perspective by repayment method modification and loans for recovery from disasters. We have held consultation sessions on housing restoration in various areas in cooperation with local governments and architect associations in order to provide detailed support for demands of those affected. In addition, we started in the last fiscal year to hold consultation events in collaboration with private financial institutions. While housing lots provision began in earnest along the coast of Iwate Prefecture, we established the Sanriku Reconstruction Support Center in Kamaishi City as a part of our efforts to make a system to offer loan consultation services more promptly, and we have improved convenience of affected people by providing community-friendly consultation services. We will continue supporting and contributing to restoration from the disaster in cooperation with local communities.

Furthermore, based on our experience responding to the Great East Japan Earthquake and frequent natural disasters in recent years, JHF is reviewing existing agreements with local governments and initiating efforts to conclude new “agreements to cooperate for quick housing recovery at the time of disaster” with them to further strengthen collaboration even in normal times. We will keep working with prefectures and other local governments to have stronger cooperation so as to make the most of our knowledge and experience acquired during the Great East Japan Earthquake when we will cope with disasters in

the future.

“Flat 35” meets the demands of customers who want mortgages with fixed interest rate throughout the loan duration, and it was utilized for 670,000 houses with 11 trillion yen in outstanding balance from the beginning of the operation in October 2003 to the end of the last fiscal year. We will keep making full efforts for “Immediate Economic Measures for Extending Virtuous Cycles to Local Economies”, Cabinet Decision, December 27, 2014 and contribute to vitalization of the housing market and promotion of quality housing. This April, we started offering “Flat 35” for reform loans, only when customers purchased the existing houses and renovated them at the same time to enhance the convenience of customers. Through these activities, we will contribute to addressing of issues on housing policies including the formation of high quality housing stock and vitalization of the resale housing market.

The total amount of mortgage-backed securities (MBS) issued to finance for “Flat 35” exceeded 20 trillion yen. It is expected to have the 100th issuance within this fiscal year, and it is highly regarded as benchmarking of the securitization market. We will make a contribution to development of the securitization market in Japan by stably issuing MBS and enhancing the benchmarkability.

We recognize that JHF has two roles, while considering role-sharing with private financial institutions. One is a provider to offer technical support utilizing our knowledge and experience. The other is an originator to finance funds for important projects from the policy perspective, including improvement of living condition in urban areas with a high concentration of structures, reconstruction and seismic upgrading of deteriorated condominiums and construction of serviced rental housing



for the elderly. We will actively support local revitalization from the financial perspective by collaborating with local communities to meet their demands in the serious social issues of the decreasing population and the aging society with declining birthrate.

Eight years have passed since JHF became an incorporated administrative agency. Through the years, we have implemented various management reforms and steadily achieved targets including discontinuance of subsidies from the national government and dissolution of loss carried forward in the securitization support business. The Act on General Rules for Incorporated Administrative Agencies was revised in April 2015, and incorporated administrative agencies are required to exhibit their functions to implement policies under stricter governance and autonomy.

JHF will continue making efforts to enhance internal governance that we have squarely addressed and keep transparent and efficient management with the strengthened audit function and by obtaining opinions on our business management from the “Business Management Review Committee” consisted

of neutral and external experts. We will take measures against the aging society with declining birthrate and large-scale disasters and tackle local revitalization in order to supply liquidity in the housing finance market and contribute to the improvement of housing in our country. As an agency to implement government policies, we will also proactively address important issues such as vitalization of the housing stock market to form high quality housing stock. Our directors and employees determine to strive to be an essential organization for Japanese society and citizens.

We would like to request kind understanding and support by customers and other stakeholders including private financial institutions, housing businesses, local governments and investors.

July 2015

Toshio Kato

加藤 利男

President

Japan Housing Finance Agency (JHF)
Incorporated Administrative Agency

Business Summary

JHF focuses on the securitization support business to support provision of fixed-rate housing loans by private financial institutions, but also provides a housing loan insurance service to promote smooth provision of private housing loans and a loan origination service in areas that are important from the policy perspective, yet difficult for the private sector to handle.

JHF makes efforts to enhance living standards and fulfills its corporate social responsibility (CSR) by smoothly and effectively supplying housing loans necessary for construction of houses to support people's lives.

1 Securitization support business (provision of Flat 35)

Support private financial institutions to supply fixed-rate housing loans through the following programs:

- Flat 35 (Purchase Program): JHF purchases fixed-rate housing loans from private financial institutions and securitizes them.
- Flat 35 (Guarantee Program): Private financial institutions securitize fixed rate housing loans insured by JHF, and JHF guarantees interest and principal payment of MBS to investors.

2 Housing loan insurance business

JHF supports smooth supply of housing loans by private financial institutions by paying insurance to those institutions based on the insurance policies concluded beforehand if those housing loans should default due to unexpected situations.

3 Loan origination business (policy-related loans including loans for disaster recovery and town development loans)

JHF supports housing-reconstruction loans in areas affected by the Great East Japan Earthquake and other natural disasters, urban development projects and projects that help update urban functions and improve disaster-resilience including rebuilding of condominiums and enhancing anti-seismic strength, and promotion of rental housing for stable living for families with children and the elderly via direct loan origination by JHF.

4 Group credit life insurance business

This insurance system provides security for borrowers of Flat 35 (Purchase Program) or JHF originated loans. If the borrowers who have joined this system should die or incur a serious disability, the outstanding loan balance is offset by the insurance paid by life insurance companies or other means.

5 Promotion of quality housing

JHF helps improve living quality using its own technical criteria for housing, which are set as one of the requirements for Flat 35 and JHF originated loans.

6 Management of outstanding loans

JHF appropriately manages outstanding loans through fine and careful responses, such as modification of loan repayment terms for borrowers who have difficulty in making mortgage repayments, while reducing delinquent loans.

7 Research and surveys on housing finance

JHF conducts research and surveys on domestic and overseas housing finance markets.

	Results of FY2014	Initial plan for FY2015
Securitization support business (Provision of Flat 35)	Purchase Program: 1.6722 trillion yen (64,770 houses) Guarantee Program: —	Purchase Program: 3.0103 trillion yen (117,000 houses) Guarantee Program: 25.7 billion yen (1,000 houses)
Housing loan insurance business	Insurance contracts: 126 institutions, 297.4 billion yen Insurance effected: 29,340 cases, 219.1 billion yen Insurance continuing: 135,768 cases, 2.2209 trillion yen	insurance contracts: 453.8 billion yen
Loan origination business	174.5 billion yen (17,896 houses)	378.1 billion yen (28,310 houses)

Mission Statement

Based on independent, transparent
and efficient management,
and in pursuit of the creation of customer values,
we provide various kinds of financial services
to support liquidity in the housing financial market,
and thus contribute to improvement
of housing in our country.

Logo concept



住宅金融支援機構

Japan Housing Finance Agency

Pillars supporting the roof are represented by letters J, H, and F. The horizontal line representing the ground is intended to create an uplifting feeling, and the sphere symbolizes security and expanse. The green color represents growth and vitality. The logo symbolizes the fusion between JHF and the world of housing.

*JHF is an abbreviation of Japan Housing Finance Agency.

Activities of JHF

Providing fixed-rate housing loans through collaboration with private financial institutions

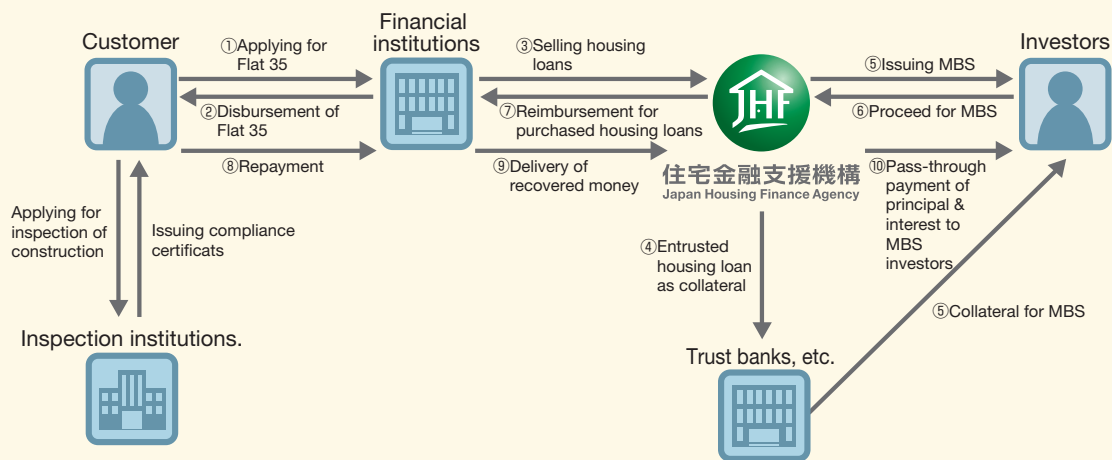
“Flat 35” is the fixed-rate mortgage that JHF offers to people through collaboration with private financial institutions. Because the fixed-rate mortgage is a type of loan that the borrowing rate and the amount of installments are fixed to maturity when the loan is closed, it helps customers to make long term plans for their living.

ずっと固定金利の安心
【フラット35】

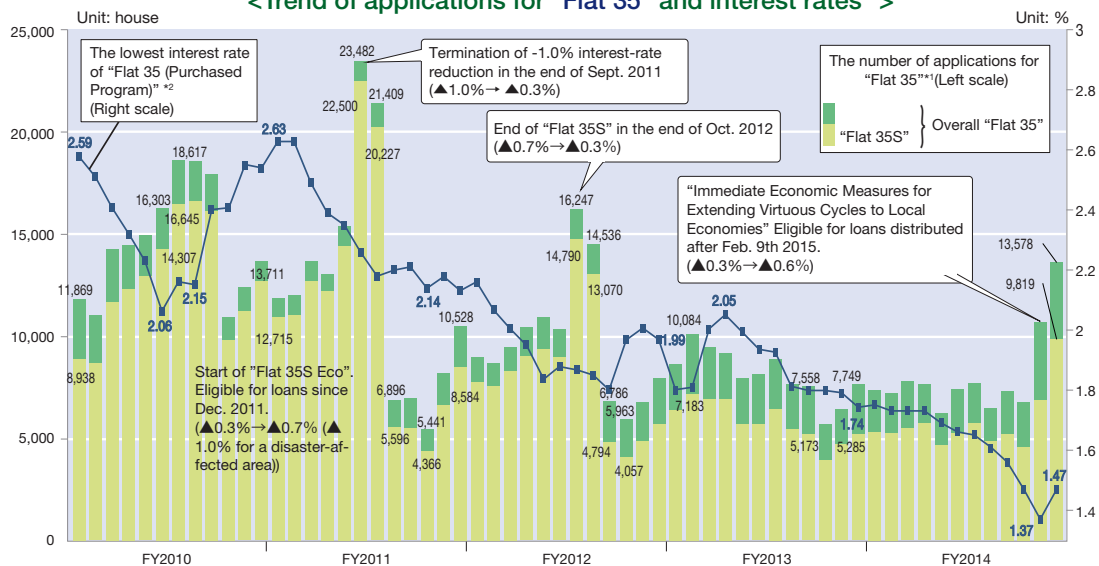
Four merits of “Flat 35”

- ① Safe because interest rate is fixed to maturity
- ② JHF’s technical criteria to support housing
- ③ No guarantee fee and no fee for prepayment
- ④ Extend consultation during the repayment period

Scheme



<Trend of applications for “Flat 35” and interest rates*1>

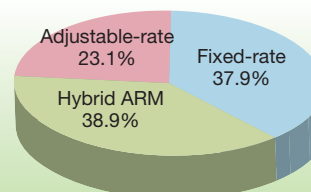


*1 Total number of houses applying for “Flat 35 (Purchased program / Guarantee program)”.

*2 The lowest interest rate among those offered by financial institutions in a case that duration of loan is between 21 years and 35 years (of which 90% or lower rate after February 2014 as interest rates vary according to its loan-to-value ratio (90% or lower, or over 90%). Many financial institutions set lower interest rate to the loans with 20 years or less maturity than those with 21-35 years.

Interest rate desired by prospective loan-applicants

More than one-third of prospective loan-applicants desire fixed-rate mortgage.







(Source) JHF “The third survey of recipients of private-sector housing loans in FY 2014 targeting prospective loan-applicants (conducted in February 2015)”

Promotion of High Quality (such as Energy-Efficient) Houses

“Flat 35S” is a system in which lower interest rates are applied for a certain period for customers who applied “Flat 35” to purchase high quality housing in terms of energy saving, earthquake resilience, etc.

JHF promotes high quality house through providing “Flat 35S”.

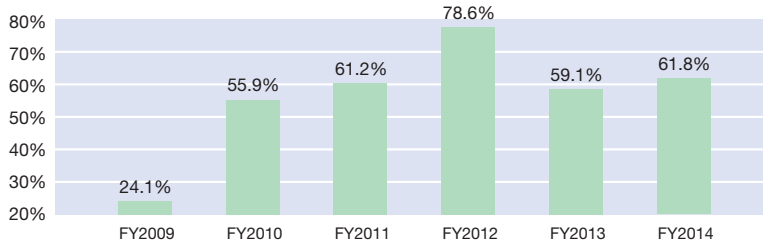
<Four performances targeted by “Flat 35S”>

Housing with high energy-efficient performance  <ul style="list-style-type: none"> ● Use heat-installation materials sufficiently. (Fit heat insulating material with no space between the frameworks of the house) ● Equip windows and doors with double device, etc. 	Housing with excellent earthquake-resilience  <ul style="list-style-type: none"> ● Securing wall quantity and balance layout ● Strengthen joint parts of building frames ● Strengthen foundation, etc.
Housing with excellent barrier-free performance  <ul style="list-style-type: none"> ● Ensure that there are no different levels on the same floor. (Elimination of steps on the same floor) ● Install handrails ● Make sufficiently wide corridors, etc. 	Housing with high durability and flexibility  <ul style="list-style-type: none"> ● Proof against decay and termite ● Ensure ventilation in the roof frame and under the floor (Attic and underfloor)

About 60% of newly build houses (detached houses) that applied for “Flat 35” were energy-efficient houses.

Thanks to the promotion of “Flat 35” and “Flat 35S”, the range of energy-efficient housing” for housing industries has been expanding. The share of energy-efficient houses were increased from FY 2010 to FY 2012 due to a substantial interest rate reduction. Also, in response to the emergency economic measure, JHF expands the reduction range of interest rate on “Flat 35S”, eligible for loans disbursed after Feb. 9, 2015 and is promoting high quality houses such as energy-efficient house.

<“Flat 35” Share of houses meeting energy-efficient housing among applications for detached houses to be newly built>



*Houses (detached houses to be newly built) meeting energy-saving criteria of “Flat 35S”

Research and Survey on Housing Finance and Dissemination of Information

JHF conducts researches and surveys on domestic and overseas mortgage markets, including “Customer Survey on Flat 35 Users”, and proactively disseminates these information.

<Contents of Major Surveys>

- | | |
|--|--|
| (1) Customer Survey on Flat 35 Users (Twice a year) | ② “Flat 35” recipients version |
| (2) Survey on new origination volume and the outstanding loan balances by type of lenders (Quarterly) | ③ Prospective private-sector housing loans recipients version |
| (3) Actual condition survey on private-sector housing loan users
• Usage status by type of borrowing rate (Once every two months) | (5) Actual condition survey on refinance of private-sector housing loans (Once a year) |
| (4) Actual condition survey of private-sector housing loan users (Three times a year) | (6) Consumption-expenditure survey on the home buyers |
| ① Private housing loan recipients version | (7) Survey on bank lending of private-sector housing loans (Once a year) |

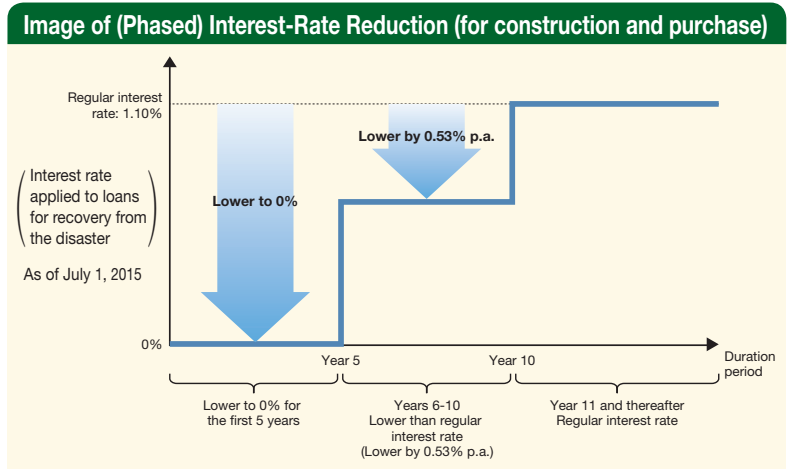
“Housing Finance Markets in Southeast Asian Countries”

JHF researched on housing finance markets of six Southeast Asian markets (Thailand, Malaysia, Indonesia, Philippines, Myanmar, and Vietnam), in which many Japanese companies are operating, through hearing with governmental financial institutions and experts of each country. The results were compiled in an English-language brochure. Also, by summarizing similarities and differences among countries and introducing the housing finance market in Japan at the end, it contributes to giving of-ficers in charge in each country better understanding to the system of other countries.



Support to rebuild housing of those who were affected by disasters (Loans for recovery from the disaster, etc.)

JHF provides disaster-recovery loans (loans for recovery from the disaster) as well as loans to repair housing lots where such lots are damaged (loans to recover housing lots). We lower the interest rate (0% p.a. for the first five years for construction and purchase) and extend the grace period and loan maturity. We received 14,924 applications for disaster-recovery housing loans and disbursed for 11,406 houses (both totals as of March 31, 2015).



Support for People's Return to Zones where Evacuation Orders have been Lifted (Related to the Revision of Act on Special Measures for Fukushima Reconstruction and Revitalization)

In case people return to zones damaged by nuclear disasters after evacuation orders on the zones have been lifted and reconstruct their houses by using disaster-recovery housing loans, "victims' certificate" that verifies his/her previously inhabited house was damaged was required before. JHF, in response to the revision of Act on Special Measures for Fukushima Reconstruction and Revitalization that came into effect in May 2015, and to support people's return to the zones where evacuation order have been lifted, now makes people who lived in the zone as of March 11 2011 eligible to apply disaster-recovery loans for the purchase or build house in the city including the said zone without such certificate.

<Handling of disaster-recovery housing loans (The revised parts are shown in the red frame)>

Situation of the place of residence		Place in which houses will be built or purchased	Submission of victim certificate for applying disaster-recovery housing loans
In a time of disaster (As of Mar. 11, 2011)	Situation of evacuation orders on the day of applying		
Zones that are subject to an evacuation order	Zones that the evacuation order is not yet lifted. •Difficult-to-return zone •Restricted residence Zone •Zone in preparation for the lifting of the evacuation order	In a city, town or village which is same as the place of residence at the time of disaster	Not required
		In a city, town or village which is different from the place of residence at the time of disaster	
	Zones where above-mentioned evacuation orders have been lifted •Zones where evacuation orders have been lifted	In a city, town or village which is same as the place of residence at the time of disaster	Required→Not required
		In a city, town or village which is different from the place of residence at the time of disaster	Required

Support for customers who are paying outstanding loans (Special measures for modification of repayment method)

JHF has deferred repayment of loans in whole or in part, extended the repayment period and lowered the interest rate for the grace period for those affected by the disaster. We have approved a total of 6,014 cases for modifying the repayment method (as of March 31, 2015).

We also properly respond to the Guidelines for Individual Debtor Out-of-Court Workouts and assist self-help-based re-establishment of livelihood and businesses. The repayment plan has been formulated for 308 of 355 loans for which the application of the Guideline has been submitted (both are cumulative total figures, as of March 2015).

<Modification of repayment method for those affected by the Great East Japan Earthquake>

Damaged rate \ Repayment method modification	Grace period	Extension of repayment period	Lowering of interest rate* during grace period
Less than 30%	1 year	1 year	Lower rate (regular interest rate - 0.5% or 1.5%)
30% to less than 60%	Up to 3 years	Up to 3 years	Lower rate (regular interest rate - 1.0% or 1.0%)
60% or more	Up to 5 years	Up to 5 years	Lower rate (regular interest rate - 1.5% or 0.5%)

* Interest rate is per annum.

Consultation session for housing reconstruction have been held many times.

In cooperation with national and local governments, JHF has provided local consultation on housing reconstruction for people in the disaster-affected areas since the occurrence of the Great East Japan Earthquake (1,322 consultation sessions were held in total from the end of March 2011 to the end of March 2015.)

Together with the Iwate Prefectural Housing Support Council, Miyagi Housing Development Promotion Council for Reconstruction and Fukushima Prefectural Housing Support Council, we have held regular consultation sessions in Iwate, Miyagi and Fukushima prefectures since April 2013 respectively, on various issues as part of a one-stop service including loans and financial plans as well as housing plans and various subsidy programs.

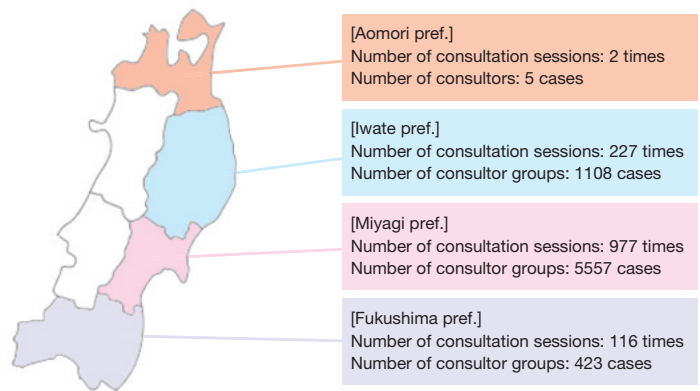
Also, in cooperation with private financial institutions, we have visited various affected areas and held consultation sessions in these areas.

In addition, JHF established the Sanriku Reconstruction Support Center in Kamaishi city and established a system that offers more prompt response to consultations on loans.

<A consultation session>



<Results of local consultation sessions in Tohoku Area (March 2011 – March 2015)>

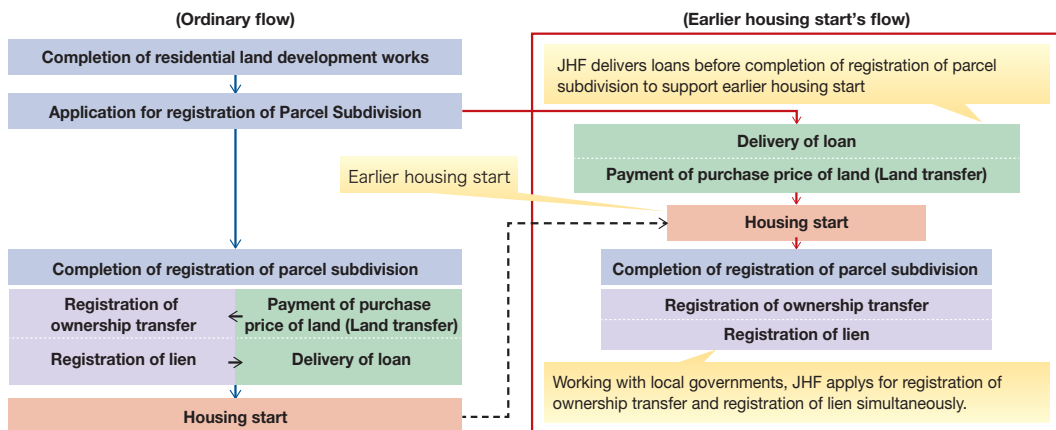


Support for earlier housing start in housing complexes covered by recovery projects such as the project to promote the resettlement of communities to more disaster-resilient areas.

To make smooth implementation of “Shortening of period from site preparation to housing construction by earthquake survivors” written in “Measures for acceleration of housing reconstruction and recovery town development (the fifth steps)” (Announced by Reconstruction Agency on May 27, 2014), JHF, through collaboration with national and local governments, created a scheme that enables JHF to lend to people affected by disasters before the completion of land registration of parcel subdivision of housing lots made by the projects to promote the resettlement of communities to more disaster-resilient areas or other means by setting secure procedure to register lien upon land after transfer of title of the said land.

By this measure, we support in earlier housing start by people affected by disasters.

<Scheme for earlier housing start>



Provides loans for which societal demand is expected to grow, and

Rebuilding housings affected by disasters Loans for recovery from disasters

JHF provides low-interest loans for people whose houses are damaged by natural disasters such as earthquakes, torrential rain, gusty winds and typhoons as well as the Great East Japan Earthquake to build, purchase or renovate their houses. We also provide loans for the ground works together with residential structures when housing lots are damaged due to collapse or liquefaction, etc.

Stable living for the elderly Loans for serviced rental housing for the elderly

JHF provides loans to business operators who build serviced rental housing for the elderly or purchase residential-purpose real estate to convert it into such housing that contributes to stable living for the elderly.

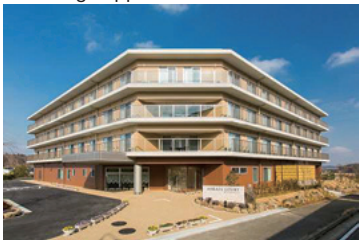
Serviced rental housing for the elderly

This refers to barrier-free rental housing that encompasses services such as monitoring and nursing care for the elderly, which was introduced when “Act on Securement of Stable Supply of Elderly Persons’ Housing” was revised in 2011. It is rental housing that meets the registration criteria, and is registered with the municipal government. It is supported by governmental subsidies, preferential tax treatment and policy-related loans.

(Example)

Apartment complex name: “Miraia Court Miyanomori”, Sakura, Chiba Prefecture, completed in Feb. 2015

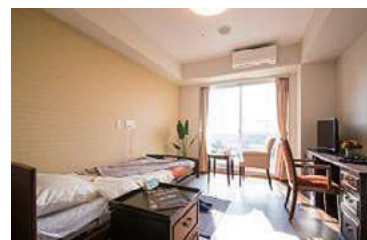
<Building appearance>



<Living room>



<Inside of a bedroom>



Support for families raising children Loans for energy-saving rental housing for house holds with small children

JHF provides loans for business operators for construction and other purposes to promote the supply of energy-efficient rental housing capable of accommodating families raising children.

(Example)

Apartment complex name: “CRYSTA KYOTO”, Minami-ku, Kyoto, Kyoto Prefecture, completed in Mar. 2015

<Building appearance>



<multipurpose space>



<Inside of a room>



which are difficult for private financial institutions to originate



Development of safe residential areas Town development loans

JHF provides loans for the following projects to secure disaster-resilience and improve living conditions in urban areas with a high concentration of structures to promote rational land use:

- Rebuilding old condominiums (including sale of the land)
- Disaster-prevention block improvement projects and projects to rebuild rental structures in core city centers with a high concentration of structures
- Urban redevelopment projects, etc.
- Joint rebuild projects in urban areas with a high concentration of structures, rebuild of buildings that conform with the wall retreat criteria in district plantings.

The share of JHF loans to develop towns in urban redevelopment and other projects*.

(From April 2007 until March 2015) **27.5%**

(The ratio of projects that received JHF loans to develop towns among urban redevelopment and other projects* for which the correct conversion plan was approved.)

*Urban redevelopment and other projects to develop disaster-prevention areas with housing implemented by private business operators, etc.

Urban redevelopment project

(Example)

Project name: “The First Class Urban Rebuilding Project in Sakae and Tokiwa Area”, Sasebo, Nagasaki Prefecture, Completed in Sept. 2014



Project to rebuild condominiums

(Example)

Project name: “Machida Yamazaki Residential Condominium Reconstruction Project”, Machida, Tokyo, completed in Sept. 2009

<Before reconstruction>



<After reconstruction>



Renovation of Condominium Stocks Loans for renovating shared parts of condominiums

JHF provides loans for condominium management associations and unit owners to repair exterior walls and others to help them address deterioration and enhance their anti-seismic strength.

Stable Living for the Elderly, etc. Special repayment system for the elderly (reform loan/town development loan)

This system is available for elderly to build barrier-free housing or to purchase housing in condominium reconstruction projects. In order to reduce the burden of monthly payments, elderly are required to repay only interest until the time of their death and repay the remaining outstanding loan amount at the time of their death.

Improving Earthquake Resilience Reform loan (earthquake resistance improvement)

JHF provides loans for seismic strengthening aiming to improve earthquake resilience of housing.

Financial Conditions and others (FY2014 Settlement)

Status of major assets

The balance of “Flat 35 (Purchased loans)” at the end of FY2014 was approximately 12 trillion yen.

The balance of the purchased loans has been increasing year by year and now accounts for about half of the balance of the housing loans that JHF holds.

Status of major debts

The fundraising from the financial market through issuance of MBS has increased in accordance with the business growth of “Flat 35”. Meanwhile, borrowings for Fiscal Loan Funds, which is the borrowings from Japanese government, has been declined due to the decrease of the balance of Outstanding Loans Management Account.

Status of profit and loss

JHF posted gross income of 282.4 billion yen for the overall agency.

<Securitization Support Account>

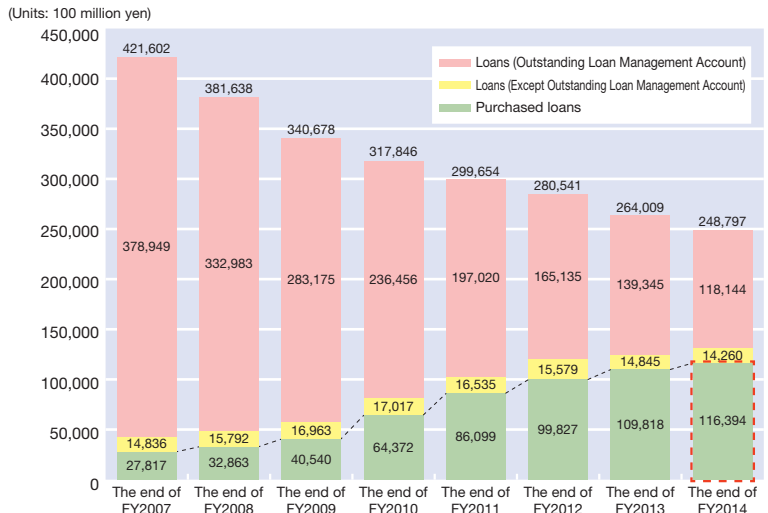
JHF, though increase of the balance of purchased loans and appropriate loan management and so on, posted gross income of 78.9 billion yen in Securitization Support Account. Yet, the profit is counted as the reserve under Article 44.1 of the Act on General Rules for Independent Administrative Agency with approvals from the competent ministers to be prepared for future emergence of risk. As the result, JHF posted the reserve fund of 145.8 billion yen.

As the cost tends to emerge later than earnings as for the credit risk of the securitization support business (Purchased Program), the loss in the latter half is offset by the profit in the first half of loan period. So surplus in the first half is pooled as reserve and the reserve may be reduced to compensate for the losses that occur later.

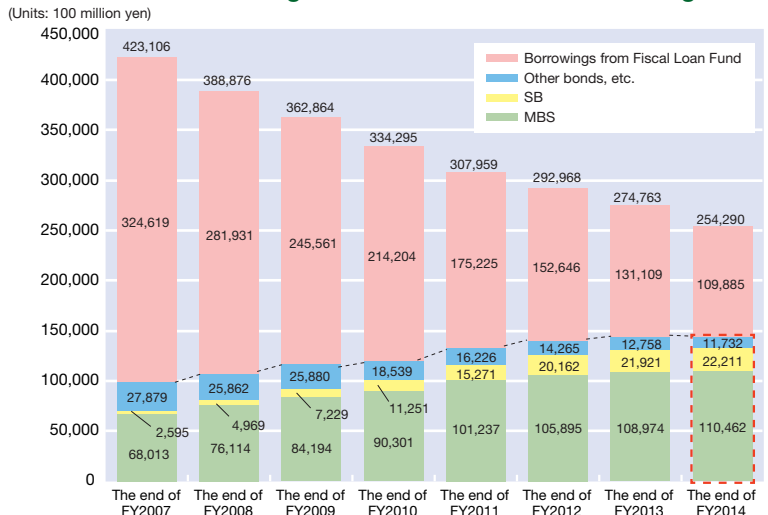
<Outstanding Loans Management Account>

JHF posted gross profit of 176 billion yen in Outstanding Loan Management Account due to appropriate loan management. By this, the loss carried forward turn to 108.4 billion yen.

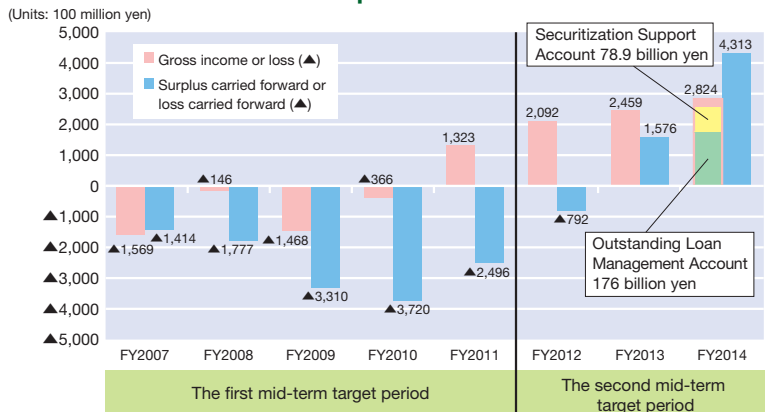
<Outstanding balance of purchased loans and other loans>



<Outstanding balance of bonds and borrowings>



<JHF's profit and loss etc.>

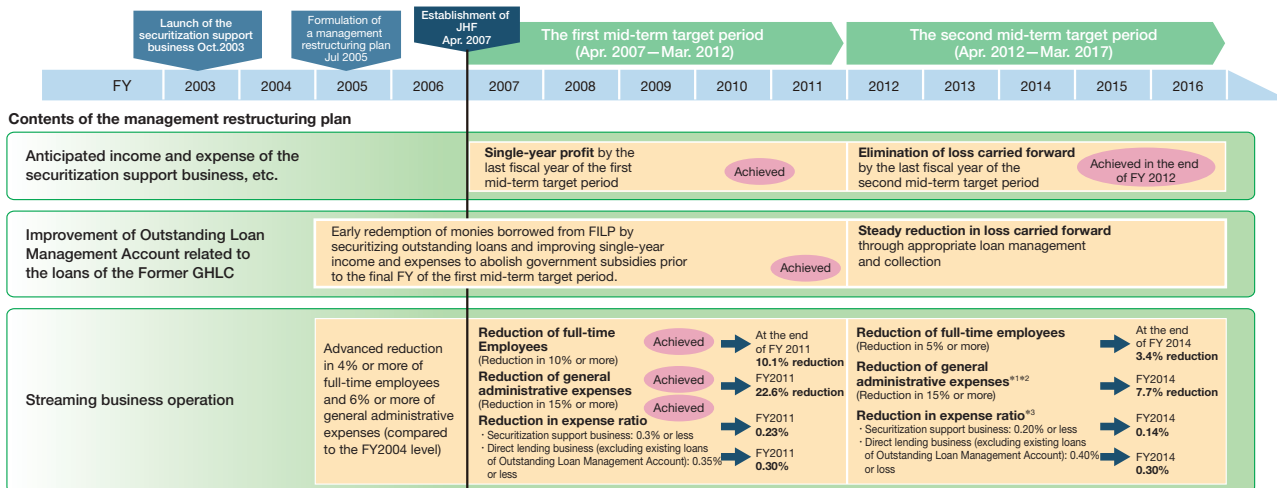


*The surplus carried forward in FY2014 includes a reserve fund of 145.8 billion yen (after appropriation of profit for the year) in preparation for the emergence of future credit risk in Securitization Support Account as well as a reserve fund of 304 billion yen for the group credit life insurance business

can implement effective and efficient business operation

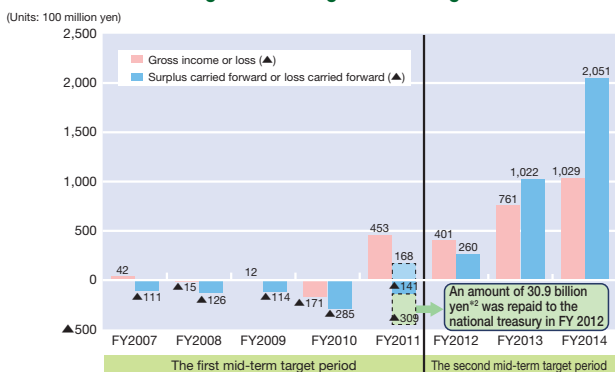
Business Operation Optimization

In the housing loan market, JHF has been working on the efficiency of business operations and improvement on financial contents in order to promote support and complement of private financial institutions under autonomous management. As a result, JHF has achieved ahead of schedule its goal of eliminating loss carried forward during the second mid-term target period, in regards to the revenue and expenditure in Securitization Support Business, etc.



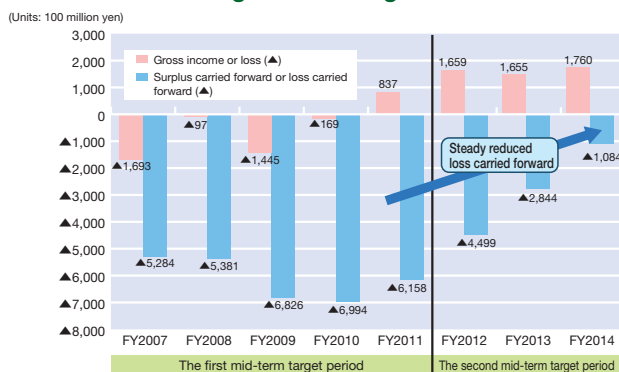
*1 Commissioning cost (excluding business outstanding cost), wages of temporary employees and expenses of office supplies, etc.
 *2 General administrative expenses in the second mid-term target period do not include labor costs, for which a reduction target is set separately based on government policy and taxes and public dues beyond the control of the JHF
 *3 Expense ratio: (administrative cost + (business outsourcing cost - trust charges) + bond issuance cost + depreciation) ÷ average balance of purchased receivables, etc.

<Accounts excluding Outstanding Loan Management Account*1>



*1 Excluding operations taken over from the Housing Loan Guarantee Cooperation
 *2 Housing loan insurance account: 2.12 billion yen
 Account for Loans for Property Accumulation Saving Scheme-tied Houses: 28.74 billion yen

<Outstanding Loan Management Account*2>



*2 Outstanding Loan Management Account is the account for management and collection of loans for which loan applications were received by former Government Housing Loan Corporation before FY2004

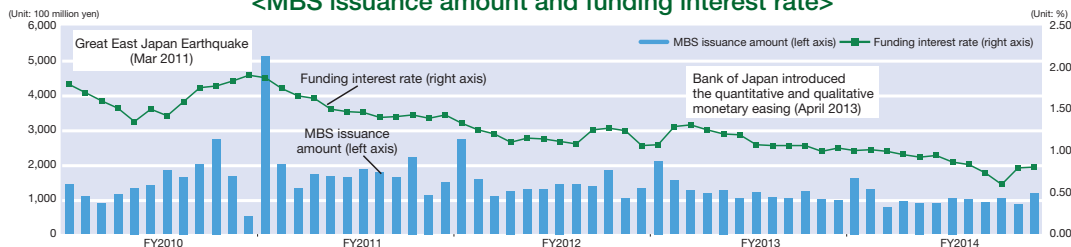
Providing low long-term fixed-rate interest housing loans by issuing

Careful investor relation activities prompted more investors to participate in investing in MBS, which enabled stable fundraising, even amid the changing financial environment in Japan and overseas.

In January 2015, the coupon interest rate of MBS lowered to 0.60%, the lowest coupon interest rate in history of JHF, we have successfully implemented efficient fundraising and provided customers with low fixed-rate interest housing loans throughout the loan duration.

* The interest rate of "Flat 35" consists of a funding interest rate, expenses for JHF's business operations, and fees payable to financial institutions.

<MBS issuance amount and funding interest rate>

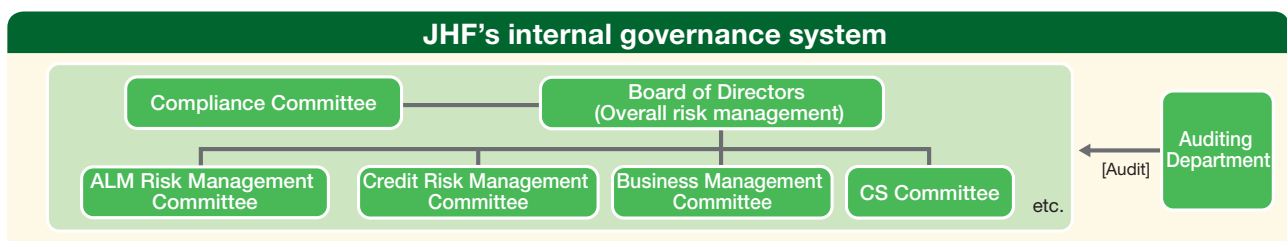
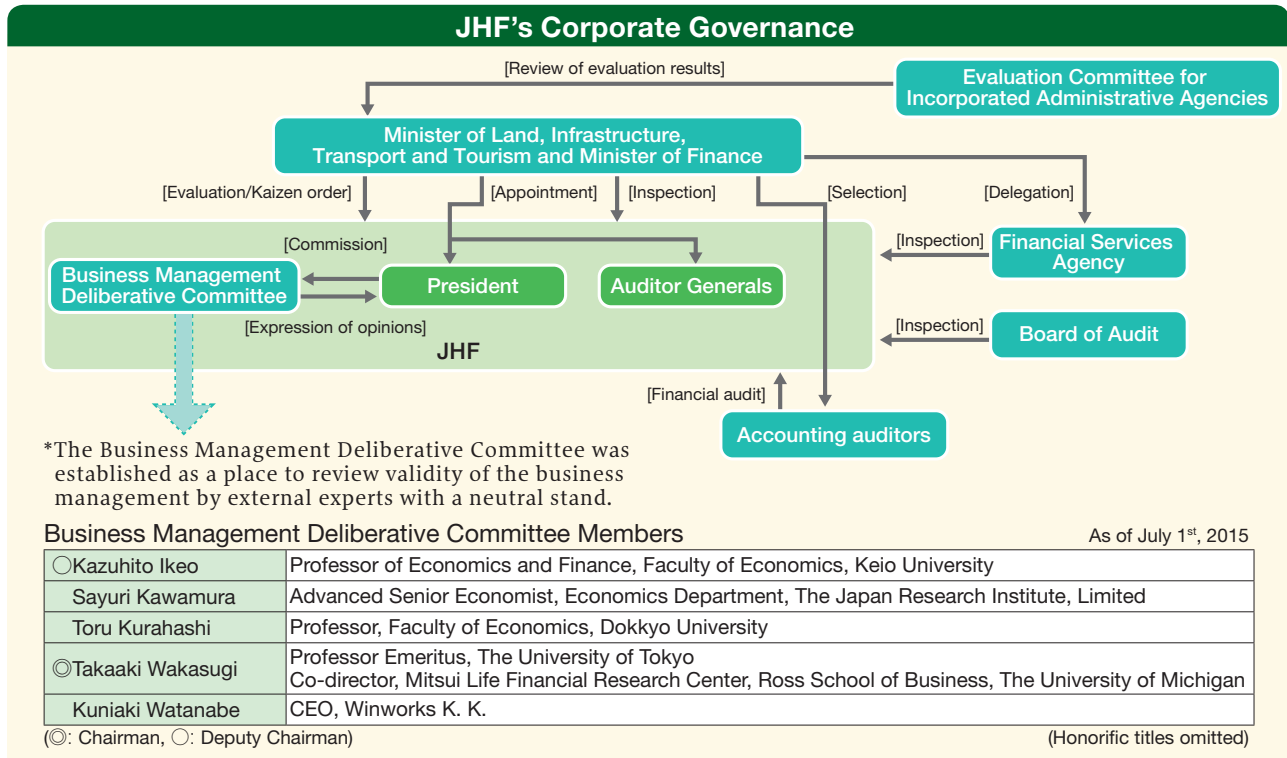


Governance Structure

Recognizing its basic mission and social responsibility as an Incorporated Administrative Agency, JHF places strengthening of corporate governance as a priority of its business management and actively implements activities to ensure sound and proper proceedings of its business with high ethical standards and wisdom under transparent and efficient management based on the Act on General Rules for Independ-

ent Administrative Agency.

Moreover, in order to develop its internal governance system for appropriate business operation, JHF has established the Basic Policy on Internal Governance and promotes appropriate internal governance by the PDCA cycle as well as further sophistication of internal governance by enhancing the governance environment.



Basic Policy on Internal Governance (Summary)

1. System to ensure that execution of tasks by our employees conforms to laws and regulations
2. System for customer management including privacy policies and management and storage of information related to execution of tasks by our employees
3. Regulations related to loss risk management and other systems
4. System to ensure that tasks are effectively executed by our employees
5. Internal audit system to ensure proper business
6. System related to employees assisting the auditor, if requested, and their independence from the President
7. System for employees to report to the auditor and other systems related to report to the auditor
8. Other systems to ensure effective audit by the auditor
9. Establishment of the PDCA cycle for internal governance

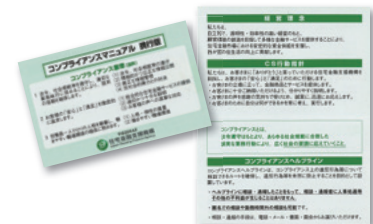
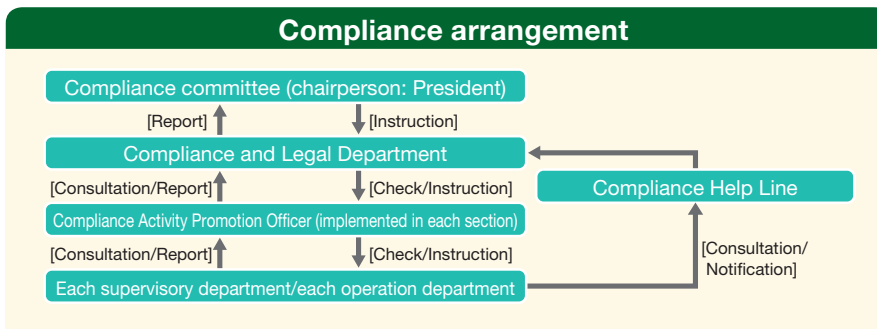
Compliance

Arrangements for compliance

In order to reliably implement compliance, JHF has set up the Compliance Committee (chairperson is President) comprising of all directors and managers of departments involved in discussing and deciding important matters related to compliance. In addition, the Compliance and Legal Department has been established as the department managing compliance, along with which, in managing the promotion of activities for

compliance in each department, a person responsible for compliance is assigned for every department.

Furthermore, in order to prevent violating compliance in JHF in advance, a compliance help line has been set up in and outside of the Compliance and Legal Department.



JHF provides all executives and staff members with a pocket-size edition of its compliance manual. It will serve to guide them when they look back on actions on their jobs, or when they have difficulty making decisions.

Compliance activity

JHF has established the Compliance Charter as basic principles of compliance and developed a compliance manual that provides laws and regulations to comply, rules, social requirements, and matters to be noted pertaining to compliance in order to enhance awareness of compliance among all executives and employees.

As a plan to ensure compliance at JHF, Compliance Program is defined and implemented each fiscal year.

Concrete activities of the Compliance Program include agency-wide e-learning, compliance meetings by individual operational unit (where familiar topics on

compliance are discussed interactively among a few members by case method), and monthly provision of compliance-related information through the in-house LAN. These educational programs help employees understand compliance and autonomously think and act based on their understanding.

In addition, JHF promotes steady compliance activity in the PDCA cycle by quarterly monitoring and examining implementation of the Compliance Program at the Compliance Committee and making necessary modification of the Compliance Program policies.

||||| The Compliance Charter (excerpt) |||||

1. We comply with laws, rules and regulations as well as social norms, and attempt to undertake all jobs properly in a bid to ensure public confidence.
 - (1) Compliance with laws and regulations as well as social norms
 - (2) Proactive and fair disclosure of information
 - (3) Strict information management
 - (4) Confrontation against any anti-social parties
2. We do our utmost to pursue customer confidence and satisfaction.

- (1) Provision of comprehensive housing loan services
- (2) Provision of appropriate and sufficient explanation
- (3) Sincere responses to customer voices
3. We respect unique individuality of each executive and staff member and endeavor to secure a comfortable work environment.
 - (1) Respect for the personality and character of each individual
 - (2) Comfortable work environment



Responses to Anti-social Forces



To reject any relationships with anti-social forces such as organized crime syndicates, JHF has incorporated an item concerning confrontation against any anti-social parties into its compliance charter and established a basic policy, which is available on our website. In addition, regulations and manuals to deal with such anti-social forces have been developed. Through these efforts, JHF has established a system to report and consult immediately and properly to the management and the Compliance and Legal Department, which is the department controlling responses to anti-social forces, when a business with such an anti-so-

cial force or an undue claim from such a force is identified.

JHF also conducts training and other sessions on how to deal with undue claims in cooperation with the police and other relevant institutions.

Incorporating a stipulation on rejection of anti-social forces into business contracts, JHF eliminates any relationships not only with organized crime syndicates but also with any affiliated parties of such organizations that anti-social forces utilize to illegally receive loans.

JHF continues its efforts to reject anti-social forces.

Basic Policy on Anti-Social Forces

1. JHF shall have no relationship with any anti-social forces, and the President, the management, and all the employees shall work together to take an uncompromising stance toward such forces.
2. JHF shall establish a system to reject anti-social forces and educate the management and employees to ensure their knowledge on handling manuals for such forces.
3. JHF shall ensure the safety of the management and employees who handle undue claims from anti-social forces.
4. JHF shall cooperate closely with such external institutes as the police, the National Center for Elimination of Boryokudan, and lawyers.
5. JHF shall take legal actions, both civil and criminal, against undue claims from anti-social forces.
6. JHF shall not accept any "backstage deals" to conceal facts even when undue claims from anti-social forces are based on misbehaviors related to JHF's business activities or involving its employees.
7. JHF shall not provide any funds to anti-social forces.

Risk Management

In order to properly manage its business and gain the understanding and trust of the general public, JHF maintains a system to adequately manage various risks that may arise in its day-to-day operation.

JHF has established risk management regulations including the “Risk Management Basic Rules” that stipulates the purpose of risk management, identifies and defines individual risks, and specifies basic sys-

tems such as risk management system and methods and auditing on the risk management implementation status. Based on these rules, JHF manages risks from a comprehensive point of view by understanding and evaluating various risks as a whole with characteristics of housing loan business as well as operations and characteristics of JHF taken into consideration.

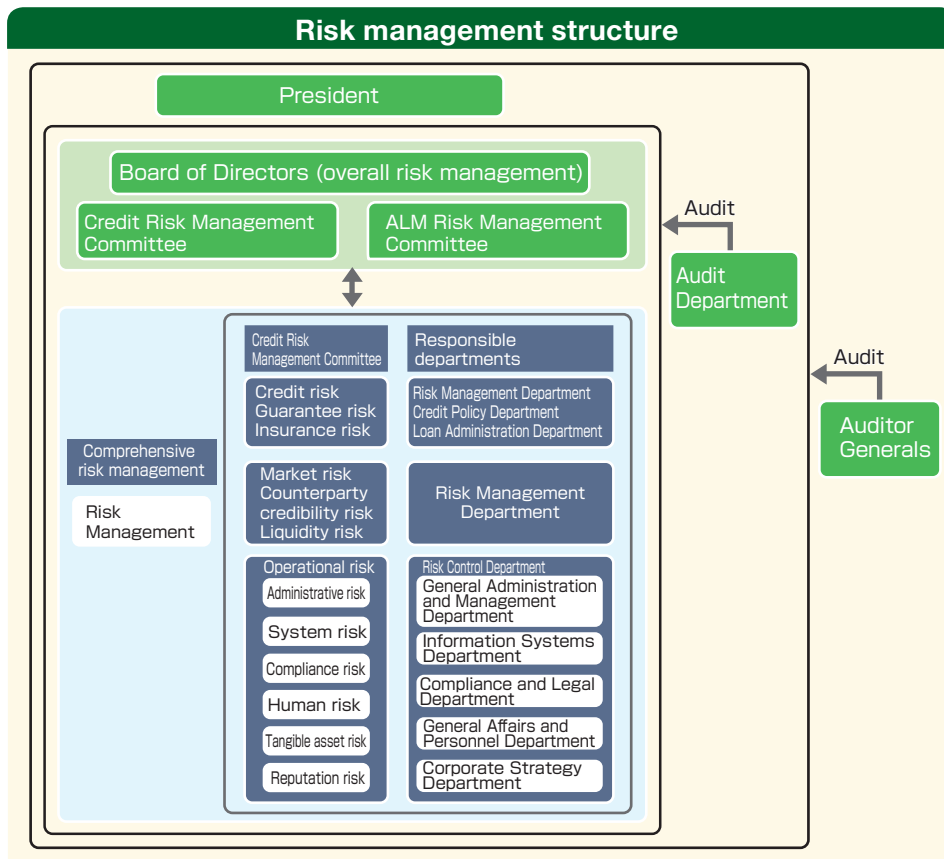
Risk management structure

JHF classifies risks into seven categories: credit risk, guarantee risk, insurance risk, market risk, counterparty credibility risk, liquidity risk, and operational risk. In the event of a notable change in the economy, JHF will define new categories of risk to be managed as necessary.

To properly manage these risks qualitatively and quantitatively, JHF has built a required system by appointing an executive and a department responsible for managing each risk category. In particular, the “Credit Risk Management Committee” was established to manage credit risk, guarantee risk, and insur-

ance risk and the “ALM Risk Management Committee” to manage market risk, counterparty credibility risk, and liquidity risk. These committees monitor status of each risk and deliberate planning and proposals related to management of each risk.

In addition, JHF assigns an executive and a department responsible for comprehensive risk management in order to manage the risks from a comprehensive point of view and maintains a system to understand and evaluate management of the risks as a whole and periodically report the results to the Board of Directors.



Risk categories

Credit risk

This is the risk for JHF to suffer loss in relation to credit that JHF owns due to declined or lost value of an asset caused by deterioration of credibility of the debtor. Since housing loans account for a large part of the JHF assets, JHF properly underwrites credit risk of loans it purchases or originates, and management and self-assessment of loans that it owns, and comprehends, analyzes, and manages the overall credit risk.

Underwriting

JHF has established underwriting criteria and methods and underwrites credit risk of loans it purchases or originates accordingly.

Self-assessment

JHF properly manages credit risk of loan claims that it owns and conducts self-assessment according to the self-assessment criteria established in accordance with the “Financial Inspection Manual” of the Financial Service Agency in order to adequately disclose financial information in a manner conforming to the “Accounting Standards for Incorporated Administrative Agencies.” In concrete terms, JHF calculates necessary reserves for non-performing loans by classifying its assets in accordance with the probability of default and loss severity and applying an expected loss given default ratio calculated based on historical performance.

Credit portfolio management

Using the credit portfolio management system for periodical monitoring, JHF analyzes the utilization status of housing loans, forecasts future loss, and reviews necessary credit risk premium in order to accurately evaluate the overall credit risk of all the debts that it owns and where the risk is. JHF also makes efforts to further enhance risk assessment utilizing the credit portfolio management system to strengthen the credit risk management.

Guarantee risk

This is the risk for JHF to suffer loss due to the difference in occurrence of guarantee accidents from the estimates made at the time of guarantee fee calculation. JHF guarantees MBS in the securitization support business (guarantee program). JHF performs proper underwriting and strives to understand, analyze, and manage the overall guarantee risk.

Insurance risk

This is the risk for JHF to suffer loss due to the difference in occurrence of insurance accidents from the estimates made at the time of insurance premium calculation. JHF extends insurances against non-performing housing loans to private financial institutions. JHF performs proper underwriting and strives to understand, analyze, and manage the overall insurance risk by monitoring with the credit portfolio management system and verifying the sufficiency of reimbursement of unused policy reserve by future cash flow analysis.

Market risk

This is the risk for the net income to fluctuate for a reporting period according to changes in the risk factors such as the interest rate. At JHF whose main assets are mortgages, this type of risk includes prepayment risk, refinance or reinvestment risk, and pipeline risk.

Prepayment risk

This is the risk for reduction of revenues in a period by losing the expected interest income due to increase in the loan prepayment amount resulting from decline of the interest rate. JHF manages this risk by estimating the prepayment amount by the prepayment model and procuring funds combining securitization and bond issuances of various maturities.

Refinance/reinvestment risks

This is the risk for reduction of revenues in a period by increase in the interest paid due to a rise in the funding cost or decrease in the interest income received due to a drop in interest on investment when refinancing or reinvestment is required respectively. JHF manages this risk by utilizing the interest model to estimate the cash flow of assets and debts taking future interest fluctuation into consideration and forecast the periodical net income according to the cash flow, and periodically monitoring risk indexes such as the duration.

Pipeline risk

This is the risk for the net income to fluctuate from certain reporting period due to the interest fluctuating in the period from the decision of the mortgage interest rate to the decision of the funding cost. JHF manages this risk by swapping interests for hedges as necessary.

Counterparty risk

This is the risk for JHF to suffer loss from declined or lost asset values due to deteriorated financial conditions at bond issuers at which surplus funds are invested or counterparties of interest rate swap deals. JHF defines risk management methods of bond issuers and counterparties of interest rate swap deals, and monitors them.

Liquidity risk

This is the risk for JHF not able to raise necessary funds or have to finance at an interest rate significantly higher than the usual in order to secure funds, not being able to trade in the market due to market turmoil, or inevitably making deals at a price significantly more unfavorable than the usual. JHF sets the minimum net line of liquidity assets as a management standard for a measure against liquidity risk, observes this standard in the daily operation, and manages stable financing. Management classifications according to the urgency of fund needs (normal, watch, and crisis) are defined as well as responses required at the time of “watch” and “crisis.” Furthermore, the borrowing limit at the time of emergency is set to secure procurement means, and an action plan for a situation that impacts financing (contingency funding plan) is defined to establish a system for prompt responses when liquidity risk becomes eminent.

Operational risk

This is the risk for JHF to suffer loss due to improper operational processes, personnel activities, or information system, or an external phenomenon. This risk includes administrative risk, system risk, legal risk, human risk, tangible asset risk, and reputation risk. JHF strengthens the operational risk management system by collecting significant risk phenomena to understand the occurrence status, defining measures based on analysis of their causes, self-analyzing risks that exist in internal operations and the control methods to restrain them, and implementing the RCSA (Risk & Control Self-Assessment) to improve the operations based on the self-analysis results. The following are definitions and control methods of main operational risk.

■ Administrative risk

This is the risk for JHF to suffer loss due to negligence, accidents, or fraud by its executives or employees. JHF reduces administrative risk by organizing ad-

ministration work manuals, improving administration work, enhancing crosschecking among staff, providing instructions and training on administrative work, performing internal self-check, and collecting and analyzing information of administrative mistakes and taking preventive measures against their recurrence.

■ System risk

This is the risk for JHF to suffer loss due to a failure, malfunction, defect, or misuse of the information system. JHF reduces system risk by taking measures based on classification according to the importance and risk assessment, developing systems with functions, reliability, and information security taken into consideration, and comprehending and analyzing information of system failures and taking preventive measures against their recurrence. In preparation for serious failures, JHF enforces a crisis management manual and maintains stable operation by taking necessary measures such as duplexing a system, establishing a backup center, and performing emergency drills.

■ Legal risk

This is the risk for JHF to suffer loss due to unlawful acts, inappropriate contracts, or uncertainty in legal matters related to business deals. The Legal Affairs Department performs legal check before establishing internal regulations, concluding contracts, and submitting advertisements to reduce legal risk. JHF also prevents violations of laws and regulations by collecting information on new legislation, amendments etc. and court judgement that may affect the business.

Others

As a measure for overall risk management, JHF carries out lifetime income simulation for the next 35 years (until the housing loans currently held by JHF have been paid in full).

Based on cash flow with future changes in the interest rate taken into consideration, the simulation calculates across multiple risks if losses resulting from the credit risk and the market risk is covered by the interest income.

The simulation also performs a stress test on both risks and an analysis based on a scenario of changes in the business volume to verify its financial resilience.

Details of JHF Business

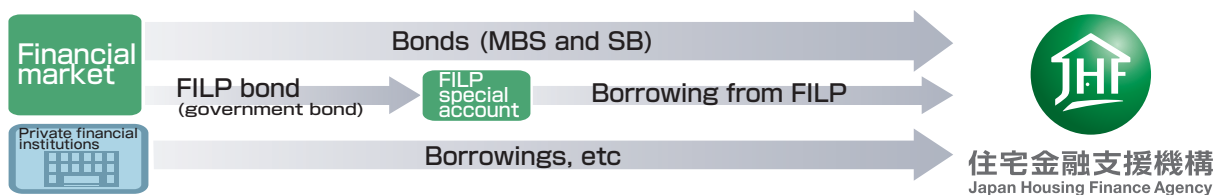
Funding

JHF's major funding sources are mortgage-backed securities ("MBS") and straight bonds with general securities ("SB").

JHF procures funding required for operations such as the securitization support business mainly from the financial market by issuance of MBS and SB. In addition, funding by syndicate loans started in FY2014.

JHF limits use of the borrowings from Fiscal Investment and Loan Program (FILP) to loans for recovery from disasters requiring emergency measures.

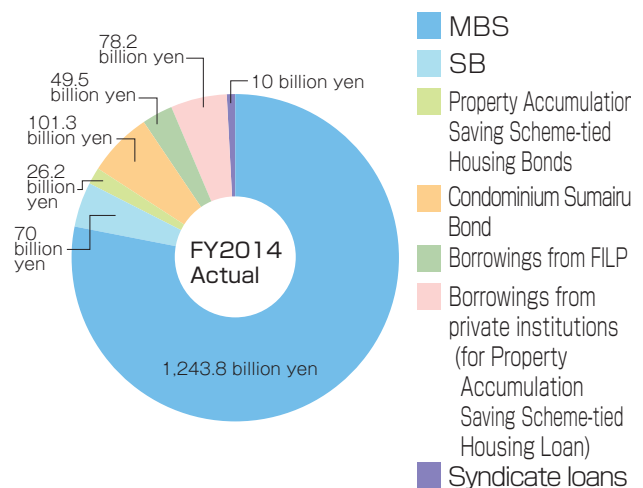
Overview of funding



Breakdown of funding

The majority of funds are procured by issuance of MBS and SB.

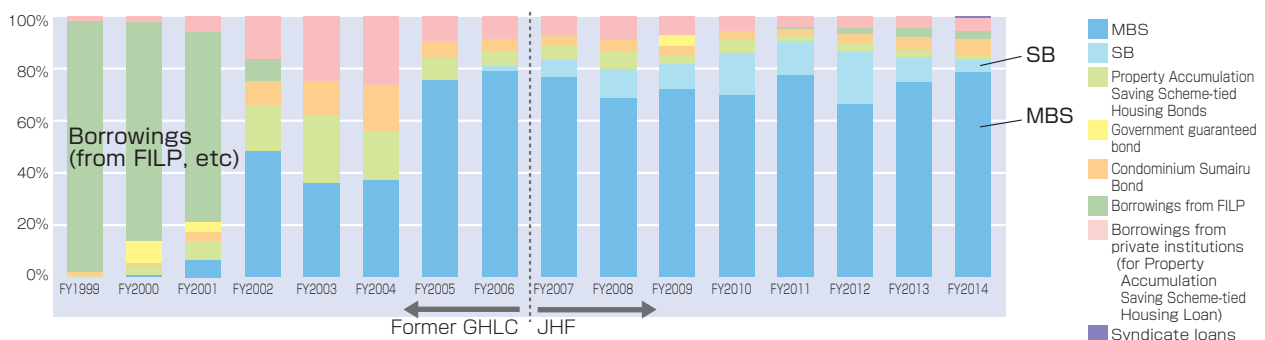
		Results of FY2014
Bonds	MBS	1,243.8 billion yen
	SB	70 billion yen
	Property Accumulation Saving Scheme-tied Housing Bonds	26.2 billion yen
	Condominium Sumairu Bond	101.3 billion yen
Borrowings	from FILP	49.5 billion yen
	From private institutions (for Property Accumulation Saving Scheme-tied Housing Loan)	78.2 billion yen
	Syndicate loans	10 billion yen
Total		1,579 billion yen



Trend of funding sources

JHF shifted its main business from direct loans of the former Government Housing Loan Corporation (GHLC) to Securitization Support Business aimed to support provision of mortgages with fixed interest rate

throughout the loan duration by private financial institutions. Due to this change, main funding sources also has shifted from borrowings from FILP to funding from the financial market by issuance of MBS and SB.



Product features of MBS and SB

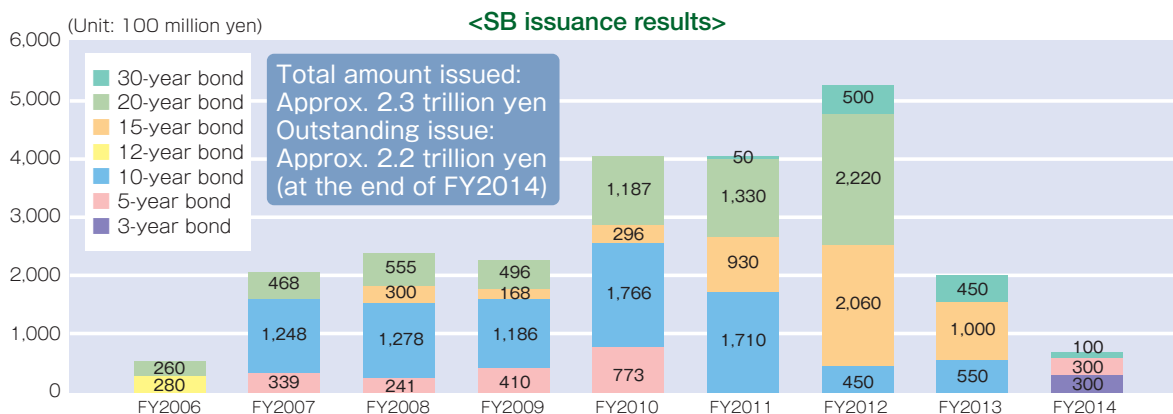
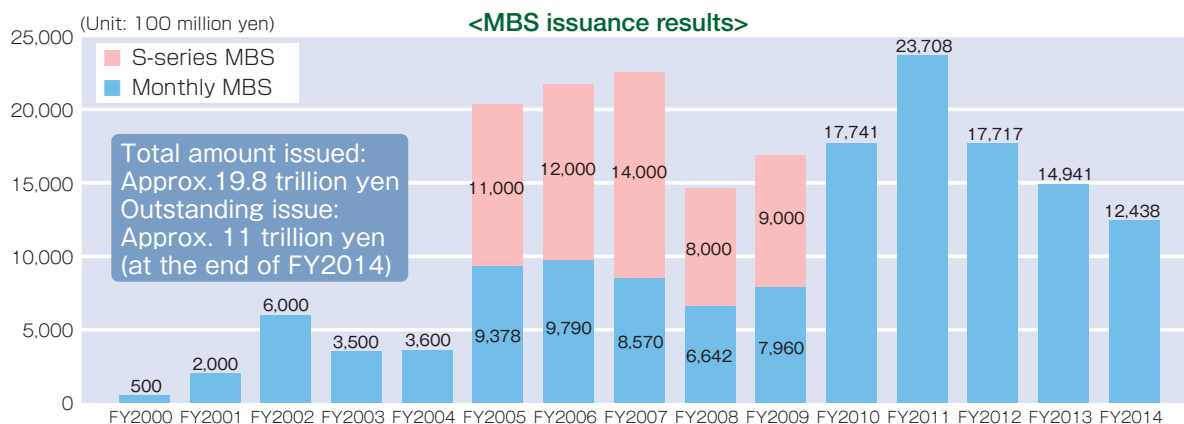
	MBS	SB
Collateral	Housing loans *1	General security *2
Rating at the time of issuance *3	S&P: AAA R&I: AAA	S&P: AA- R&I: AA+
Redemption methods	Monthly pass-through redemption *4	Bullet payment on maturity date
BIS risk weight *5	10% (Standard method)	10% (Standard method)
Eligible collateral security under the requirements of the Bank of Japan	Eligible (Loan value: 94% of the market value)	Eligible (Loan value: 97% of the market value with 1 year or less remaining; 97% with more than 1 yr to 5 yrs; 96% with more than 5 yrs to 10 yrs; 94% with more than 10 yrs to 20 yrs; 93% with more than 20 yrs to 30 yrs)
Amount paid (issuance price)	100 yen paid per 100 yen face value (issued at par)	

*as of April 27, 2015

- *1. MBS entrusts housing loans "Flat 35" purchased by JHF as collateral at each issuance.
- *2. SB is a general mortgage bond in accordance with provision of Article 19 Paragraph 4 of the Act on the Japan Housing Finance Agency, Independent Administrative Agency. Creditors (SB investors) have rights (lien) to receive repayment of their receivables in relation to the JHF assets prior to other creditors. The order of the lien is the second highest priority following the general lien defined by provisions of the Civil Code (Paragraph 5 of the Article above).
- *3. - S&P: Standard & Poor's Rating Services
- R&I: Rating and Investment Information, Inc.
The rating of MBS given by S&P has an identifier (sf) that indicates structured finance.
- *4. See the following page for the monthly pass-through payment method.
- *5. The capital adequacy ratio under the BIS regulations is obtained by dividing the stockholders' equity by risk assets. Each asset has a loanable value in accordance with the degree of the risk, which is referred to as "risk weight."

Issuance results of MBS and SB

Monthly MBS and SB are issued to procure funds for "Flat 35" and JHF loans while S-series MBS is issued for the purpose of refinancing outstanding loans from the former GHLC business.



*JHF implements appropriate Asset Liability Management (ALM) by issuing combination of SBs with various maturities.

Key Features of MBS (Monthly MBS)

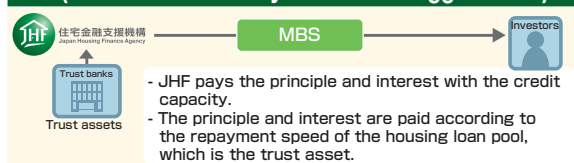
Asset-based Zaito Agency Bond

- Prior to a beneficiary certificate trigger event*, JHF pays the principal and interest with its credit capability, and when a beneficiary certificate trigger event occurs, the MBS is no longer a Zaito Agency Bond but converted to a beneficiary certificate.
- The risk weight under the Basel Capital Accords is 10% by the standard credit risk method.

* Beneficiary certificate trigger events

1. The successor of JHF Monthly MBS obligation is not determined by the act, and the dissolution of JHF is enforced by the act and JHF is dissolved by this act.
2. An act is enacted to designate as the successor of JHF Monthly MBS obligation a joint stock corporation (kabusiki kaisha) or a legal entity to which application of the Corporate Reorganization Act or other similar bankruptcy proceedings is legally permitted, and JHF is dissolved by such act.
3. An act is enacted to designate as JHF Monthly MBS obligor a joint stock corporation or a legal entity to which application of the Corporate Reorganization Act or other similar bankruptcy proceedings is legally permitted, and JHF MBS obligor becomes such legal entity.
4. JHF fails to fulfill its payment obligation under JHF Monthly MBS or other bond issued or assumed by JHF on the day such obligation is due and such condition is not cured within 7 days.

Image of principle and interest payment (before a beneficiary certificate trigger event)



Homogeneous and regionally diversified housing loan pool

- JHF purchases mortgages nationwide to create housing loan pool with highly effective regional diversification.
- JHF applies standardized criteria for purchasing mortgages from private financial institutions to create homogeneous housing loan pool.

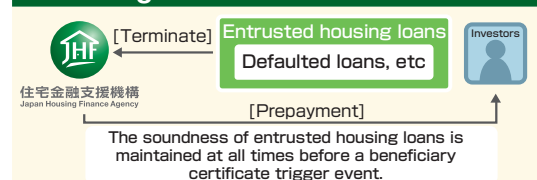


JHF bears credit risk of defaulted loans.

- JHF pays the principle and interest of delinquent loans up to three months as if the loans are current.
- JHF will terminate the defaulted loans including loans delinquent for four months from the trust. Therefore, such loans will be treated as prepayments and JHF removes such defaulted loans from the trust asset and repays an amount equivalent to the outstanding principal amount of the defaulted loan multiplied by the outstanding principal amount of the MBS divided by

the outstanding amount of entrusted housing loans** [Prepayment Method]**2, *3.

Image of cancellation method



*1. The outstanding amount of the entrusted housing loan on assumption that there is no delinquency of the entrusted housing loan

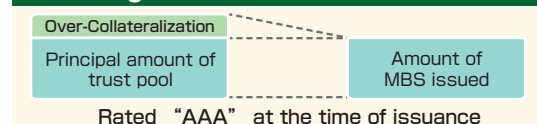
*2. As for S-series MBS and Monthly MBS issued by former GHLC, JHF maintains the soundness of the entrusted housing loan pool by replacing entrusted loans defaulted due to four-month delay and so on with equivalent housing loans. [Replacement method]

*3. The "cancellation method" and the "replacement method" are applicable only prior to a beneficiary trigger event.

JHF achieves AAA ratings by Over-Collateralization.

- JHF receives AAA rating (the highest) from S&P and R&I at the time of issuance by setting a sufficient level of Over-Collateralization.
- Minimizing the associated credit risks to the lowest level, investors are eligible to focus just on interest-rate risk and prepayment risk when deciding JHF MBS investment.

Image of Over-Collateralization



* Over-Collateralization is the amount of the total entrusted housing loan amount exceeding the amount of MBS issued, which functions as credit enhancement after a beneficiary certificate trigger event.

Monthly payment of the MBS principle and interest according to the repayment of the entrusted housing loan pool (Monthly Pass-Through Payment Method)

- JHF pays the MBS principle and interest to the investors according to the repayment amount of the entrusted housing loan pool that serves as the asset backing MBS.
- In general, repayment of the principle and interest of housing loans is made every month. Thus, the

Monthly payment of the MBS principle and interest is paid monthly as well.

- With housing loans, advanced repayment is possible in addition to predefined payment, and Monthly payment of the MBS principle and interest changes according to the prepayment of housing loans.